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SUBJECT: LIBERIA: GOL SUBMITS PUBLIC FINANCIAL MANAGEMENT ACT TO
LEGISLATURE

REF A) MONROVIA 817, B)MONROVIA 727

11. (SBU) SUMMARY: The GOL submitted a comprehensive Public Financial Management (PFM) Act to the Legislature August 28 that consolidates public financial management, and supports the Poverty Reduction Strategy (PRS). The PFM Act governs management of Liberia's public finances and provides the legal basis for the ongoing comprehensive PFM reform of procedures for the preparation, adoption, and execution of the national budget and the final accounts. The GOL must implement the law for at least one year to meet the HIPC benchmark. However, the Legislature will not have an opportunity to vote on the Act until it reconvenes in January 2009.
END SUMMARY.

12. (U) The GOL embarked on drafting a comprehensive PFM law in 2007 to rationalize the legal framework for public financial management, and submitted the draft to the Legislature on August 28, but the Act did not make it onto the legislative agenda in the just-completed session. The law is a benchmark for HIPC and a key deliverable from the GOL's Poverty Reduction Strategy (PRS). The HIPC trigger requires the GOL to implement the PFM law for at least one year which would imply that the benchmark cannot be met until early 2010 at the earliest.

13. The PFM draft outlines procedures for preparation, adoption, and execution of the national budget and final accounts, governs matters that relate to improving management of Liberia's public finances and provides the legal basis for comprehensive PFM reform. The Act applies to all GOL institutions, agencies and entities, targeting four broad areas:

-- Budget Planning and Approval: improves the policy focus that links policy priorities to the budget process and calls for three-year forecasts of revenue and expenditure.

-- Budget Execution: provides legal mandates to control commitments against appropriations, limits the amount that may be transferred between line items, and requires annual procurement and spending plans.

-- Treasury and Debt Management: requires that revenues for each entity be consolidated in a single account, with tighter controls on borrowing and cash management.

-- Accounting, Reporting and Auditing: mandates quarterly public reports and internal audits for all agencies, requires publication of the general budget and annual external audits of the final accounts. The law also requires that the budget include foreign grants and loans.

14. (U) The PFM Act will establish more accountable and transparent public finance management systems that will enable the Ministry of Finance to phase-out the Cash Management Committee created under GEMAP to control revenue and expenditure. As public financial

management continues to improve, budget support from the donors is expected to increase, enabling the GOL and donors to better coordinate resource allocation.

15. (SBU) COMMENT: The submission of the PFM law is a major milestone for Liberia. The law provides a solid framework for comprehensive regulations, procedures and manuals that will help GOL ministries and agencies better manage public funds in accordance with policy priorities and good governance. In conjunction with other recent achievements (limits on budget transfers, establishment of an Anti-Corruption Commission, and the merger of the Bureau of the Budget into Ministry of Finance), the new PFM Act keeps Liberia on the right track to achieve HIPC Completion Point in 2010.

THOMAS-GREENFIELD